R.J. Reynolds Tobacco Company

Mark Young
New York Metro

February 11, 1997

To: All Key Account Managers
All Division Managers
All Account Managers
All Retail Managers

Subject: **Returned Promoted Product in Direct Accounts**
(Blacklined & Stickered .... Dead Net Pricing)

Dear Managers,

Over the past months, an on-going situation has existed with the promoted product that is returned to our direct accounts for whatever reason:

* *Did not have the money on hand to pay for the prebooked order.*
* *The Retail hit his credit limit with the direct account and must pay off balance before the promotional order will be sent.*
* *Retailer changed his direct account.*
* *More product was prebooked than the retailer really wanted (accepts on a portion of the prebook).*
* *A Retailer has reached his credit limit with the DA and needs to order Newports .... so he returns promoted Winston and Salem for credit (since he has several weeks of inventory) and in-turn can now order Newport. In this situation we've probably lost the discount on the returned cartons if we had already paid for the prebook!*

Last week George Moulton and Marshall Richards went to our largest direct account *(Harold Levinson Associates which is 28% of the region's total business)*, to determine a way to reduce their returned goods from approximately 3% of their shipments to the company objective of 1% returns. With their visit to HLA, Marshall and George went through all of the RJR product in their returned goods room. The big surprise that was found had to do with promoted product with "Dead Net" pricing that was returned ..... the account had over **110 cases of this prepriced product** that had been returned for one of the reasons listed above. Since these cigarettes have already been stickered with a specific pack price, it's almost impossible to work this product back into inventory. **With 110 cases sitting in Levinson, it works out to approximately $110,000 worth of product that Levinson has already paid RJR for**.

51842 4309

Source: https://www.industrydocuments.ucsf.edu/docs/pxdp0000

My point is: at what point will Levinson finally decide that the cost of providing the Blackline & Sticker service to RJR is too high for the financial return to the business? If this ever happens, we as a region will be screwed in terms of promoting our products in a huge number of retail stores throughout the region.

I personally don't think that moving from *"**Dead-Net**"* pricing to only discounting the packs with *"**$.20 off a Pack**"* can totally solve this problem, but it definitely would greatly improve the situation. Before we're forced to go to ***Mandatory Cents Off Stickering*** let's see if we can correct the problem in another way:

- ❑ *Make sure that your Sales / Territory Representatives know the RJR weekly volume of each store and prebook a realistic quantity of cigarettes ... 1 to 2 weeks of inventory .... not 4 to 6 weeks!*
- ❑ *Don't be order takers ..... we determine the brands and quantities to be discounted.*
- ❑ *If you have any question on the honesty of a retailer ... do not prebook!*
- ❑ *Most importantly....**know your account .... know your business in the account.... and use your head to build business vs. just discounting all of our brands**. This is what a Sales / Territory Representatives' Job IS!*
- ❑ *and last .... if you don't need to have a specific dead-net price on your prebooked product ... have it stickered with just the discount amount ($.20 off a pack).*

As I mentioned, we don't want to go to "Mandatory Cent's Off Pricing" unless we're forced to. Unless something changes then we'll probably have to make this change. Please take the time to discuss this important matter with each of your Selling employee's and see if we can improve the situation. If you personally have any good ideas, please share them with the group.

Sincerely,
Mark Young

cc: Rory O'Rourke
Mike McHugh

51842 4310

Source: https://www.industrydocuments.ucsf.edu/docs/pxdp0000